

Message Text

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ACTION XMB-07

INFO OCT-01 NEA-10 ISO-00 AID-20 EB-11 COME-00 TRSE-00

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E. O. 11652: N/A

TAGS: EAID, BEXP, IS

SUBJECT: EXIMBANK FINANCING FOR ISRAEL ELECTRIC GENERATORS

REF: STATE 173845, BUTTON TO BOSTWICK LETTER SEPT 10

1. ISRAEL ELECTRIC CORPORATION NOW MOVING TO FILE MORE FORMAL APPLICATION FOR EXIM FINANCING AS SUGGESTED IN REFTELS. ITS BANKERS, BANK HAPOALIM, WILL BE APPROACHING EXIM AND GENERAL ELECTRIC VICE-PRESIDENT STEELE WILL INITIATE PROCEDURES FOR PRELIMINARY LETTER OF CREDIT.

2. PRESIDENT BLOCH OF CORPORATION CONFERRED WITH EMBASSY ECONOMIC COUNSELOR SEPT 12 SEEKING EMBASSY'S HELP IN ARRANGING MORE FAVORABLE CREDIT TERMS.

2. BLOCH GAVE US FOLLOWING DETAILS OF WARBURG (UK) FINANCING OFFER, PRESUMABLY WITH ECGD GUARANTEE: 6 PERCENT INTEREST RATE, 1 PERCENT COMMITMENT FEE, FIRST INSTALLMENT PAYMENT DUE MAY 1980, LOAN PERIOD 10 YEARS, FINANCING FACTOR FOR UNITS 1 AND 2 WOULD BE 93.23 PERCENT, FOR UNITS 3 AND 4 AT 81.507 PERCENT, MEAN FIGURE FOR ALL FOUR UNITS IS 87.115 PERCENT.

3. THEY UNDERSTAND EXIM TERMS TO BE: 6 PERCENT INTEREST ON EXIM DIRECT SHARE OF 45 PERCENT, 8 PERCENT ON COMMERCIAL BANKS' SHARE, COMMITMENT FEE ONE-HALF PERCENT PER ANNUM ON UNPAID BALANCE, FIRST INSTALLMENT DUE ON COMMERCIAL PORTION AUGUST 1977, ON LIMITED OFFICIAL USE

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EXIM PORTION AUGUST 1982, LOAN PERIOD FIRST 5 YEARS ON COMMERCIAL

PORTION, SECOND FIVE YEARS ON EXIM PORTION, FINANCING FACTOR FOR
UNITS 1 AND 2 WOULD BE 109.18 PERCENT, ON UNITS 3 AND 4 AT 82.04
AND MEAN FIGURE FOR ALL FOUR UNITS 94.43 PERCENT.

4. ISRAEL ELECTRIC CONTINUES TO EXPRESS CONCERN ABOUT LIKELY
ISRAELI PUBLIC REACTION TO FACT THAT OVERALL COST OF US PACKAGE
CONSIDERABLY HIGHER THAN BRITISH OFFER. SEE ALSO TEL AVIV 7221
FOR MINISTER SAPIR'S VIEWS TO AMBASSADOR. THEY THEREFORE STRONGLY
HOPE US WILL PROVIDE FINANCING ON TERMS AT LEAST AS FAVORABLE AS UK.
WE URGE EXIMBANK TO GIVE SERIOUS CONSIDERATION TO MATCHING BRITISH
TERMS, NOT ONLY TO SWEETEN PRESENT DEAL BUT ALSO FOR FAVORABLE
IMPACT ON FUTURE LARGE ELECTRICITY PROJECTS PLUS SEVERAL BIG
PROJECTS IN TRANSPORTATION AND COMMUNICATIONS AREA (SEE MINISTER
PERES-BUTTON MEMCON SEPT 7, POUCHED NEA).

5. BLOCH OF IEC PLANS TO BE IN US APPROXIMATELY ONE WEEK
AROUND OCT 7 FOR FURTHER DISCUSSIONS WITH GE ON PRESENT
CONTRACT AND ON FUTURE PURCHASES OF NUCLEAR POWER PLANTS.
WE BELIEVE SOME HIGH LEVEL OFFICIAL ATTENTION TTO HIM WOULD
PAY OFF IN TERMS OF FUTURE SALES. HIS ENGLISH IS POOR,
HEBREW INTERPRETER WOULD BE USEFUL.

KEATING

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